

Message Text

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PAGE 01 STATE 198751

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TO AMEMBASSY PANAMA IMMEDIATE

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E.O. 11652: GDS

TAGS: PBOR, PN

SUBJECT: TREATY NEGOTIATIONS: TREATY DRAFTS

REF: PANAMA 5821

1. FOLLOWING IS PROPOSED DRAFT ON PAYMENTS QUESTION REQUESTED PARAGRAPH 3 REFTEL. THIS DRAFT IS STILL UNDERGOING STUDY AND IS NOT A FINAL, CLEARED TEXT. CONSEQUENTLY, IT IS FYI ONLY, FOR YOUR COMMENT. WE WILL ADVISE YOU OF CHANGES, AND WHEN IT MAY BE PRESENTED TO THE PANAMANIANS, SATURDAY MORNING. THIS CABLE HAS NOT BEEN CLEARED BY THE DEPARTMENT OF DEFENSE. THIS TEXT WOULD BECOME PARAGRAPHS 4 AND 5 IN SUBSTITUTION FOR PARAGRAPH 4 OF ARTICLE 8-- ECONOMIC ARRANGEMENTS--IN ORIGINAL U.S. TEXT:

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 198751

4. THE REPUBLIC OF PANAMA SHALL RECEIVE FROM THE PANAMA CANAL COMMISSION:

(A) AN ANNUAL AMOUNT TO BE PAID OUT OF CANAL OPERATING REVENUES COMPUTED AT THE RATE OF THIRTY HUNDREDTHS OF A UNITED STATES DOLLAR (DOLLARS 0.30) PER PANAMA CANAL NET TON, OR ITS EQUIVALENCY, FOR EACH VESSEL TRANSITING THE CANAL AFTER

THE ENTRY INTO FORCE OF THIS TREATY FOR WHICH TOLLS ARE CHARGED. THE RATE OF THIRTY HUNDREDTHS OF A UNITED STATES DOLLAR PER NET PANAMA CANAL TON, OR ITS EQUIVALENCY, WILL BE ADJUSTED IN PROPORTION TO CHANGES IN THE WHOLESALE PRICE INDEX OF TOTAL MANUFACTURES OF THE UNITED STATES. SUCH ADJUSTMENT WILL TAKE PLACE FROM TIME TO TIME AS MUTUALLY AGREED. IN THE EVENT THE UNITED STATES SHALL DETERMINE THAT ANOTHER METHOD OF ADJUSTMENT SHOULD BE APPLIED, THE UNITED STATES WILL PRESENT THE SAME TO THE REPUBLIC OF PANAMA FOR ITS ACCEPTANCE.

(B) A FIXED ANNUITY OF TEN MILLION UNITED STATES DOLLARS (DOLLARS 10,000,000) TO BE PAID OUT OF CANAL OPERATING REVENUES.

(C) AN ANNUAL AMOUNT OF UP TO TEN MILLION DOLLARS PER YEAR, TO BE PAID OUT OF CANAL OPERATING REVENUES TO THE EXTENT THAT SUCH REVENUES EXCEED EXPENDITURES OF THE PANAMA CANAL COMMISSION INCLUDING AMOUNTS PAID PURSUANT TO THIS TREATY FOR THE PREVIOUS CANAL OPERATING YEAR. IN THE EVENT CANAL OPERATING REVENUES IN ANY YEAR DO NOT PRODUCE A SURPLUS SUFFICIENT TO COVER THIS PAYMENT, THE UNPAID BALANCE SHALL BE PAID FROM OPERATING SURPLUSES, IF ANY, IN FUTURE YEARS, BY A MEANS TO BE AGREED UPON BY THE TWO PARTIES.

CONFIDENTIAL

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PAGE 03 STATE 198751

5. THE PAYMENTS PROVIDED FOR IN PARAGRAPH 4 OF THIS ARTICLE SHALL BE MADE FOR EACH YEAR BY

2. FOLLOWING IS PROPOSED DRAFT ON QUESTION OF PAYMENTS FOR PUBLIC SERVICES AS REQUESTED PARAGRAPH 3 REFTEL. WE DO NOT BELIEVE IT APPROPRIATE FOR THIS TEXT TO BE INCLUDED IN ARTICLE ON ECONOMIC PAYMENTS SINCE THIS RELATES TO OPERATING COSTS OF THE CANAL. OUR INITIAL THINKING, THEREFORE, IS THAT IT BE ADDED TO NEW ARTICLE IV--CANAL OPERATION AND MANAGEMENT. SUGGEST YOU MAKE THE FOLLOWING TWO PARAGRAPHS NEW PARAGRAPHS 5 AND 6 TO ARTICLE IV, AND RENUMBER PRESENT PARAGRAPHS 5-8 AS 7-10. TEXT AS FOLLOWS:

5. THE PANAMA CANAL COMMISSION WILL REIMBURSE THE GOVERNMENT OF THE REPUBLIC OF PANAMA FOR COSTS INCURRED IN PROVIDING THE CANAL OPERATING AREAS AND HOUSING AREAS FOR UNITED STATES CITIZEN EMPLOYEES THE FOLLOWING PUBLIC SERVICES: POLICE, FIRE PROTECTION, STREET AND SEWER MAINTENANCE, MAINTENANCE OF PUBLIC AREAS, STREET LIGHTING, STREET CLEANING, TRAFFIC MANAGEMENT AND GARBAGE COLLECTION. THE PANAMA CANAL COMMISSION SHALL PAY THE GOVERNMENT OF THE REPUBLIC OF PANAMA THE SUM OF TEN MILLION UNITED STATES

DOLLARS (DOLLARS 10,000,000) PER ANNUM FOR THE FOREGOING SERVICES.

IT IS AGREED THAT EVERY THREE (3) YEARS FROM THE DATE THAT THIS TREATY ENTERS INTO FORCE THE COSTS INVOLVED IN FURNISHING SAID SERVICES SHALL BE REEXAMINED TO DETERMINE WHETHER ADJUSTMENT OF THE ANNUAL PAYMENT SHOULD BE MADE IN ORDER TO OFFSET INFLATION AND OTHER RELEVANT FACTORS AFFECTING THE COST OF SUCH SERVICES.

6. THE REPUBLIC OF PANAMA SHALL BE RESPONSIBLE FOR PROVIDING TO ALL AREAS COMPRISING THE FORMER CANAL ZONE AREA SERVICES OF A GENERAL JURISDICTIONAL NATURE SUCH AS CUSTOMS AND IMMIGRATION, POSTAL SERVICES, COURTS, AND

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PAGE 04 STATE 198751

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